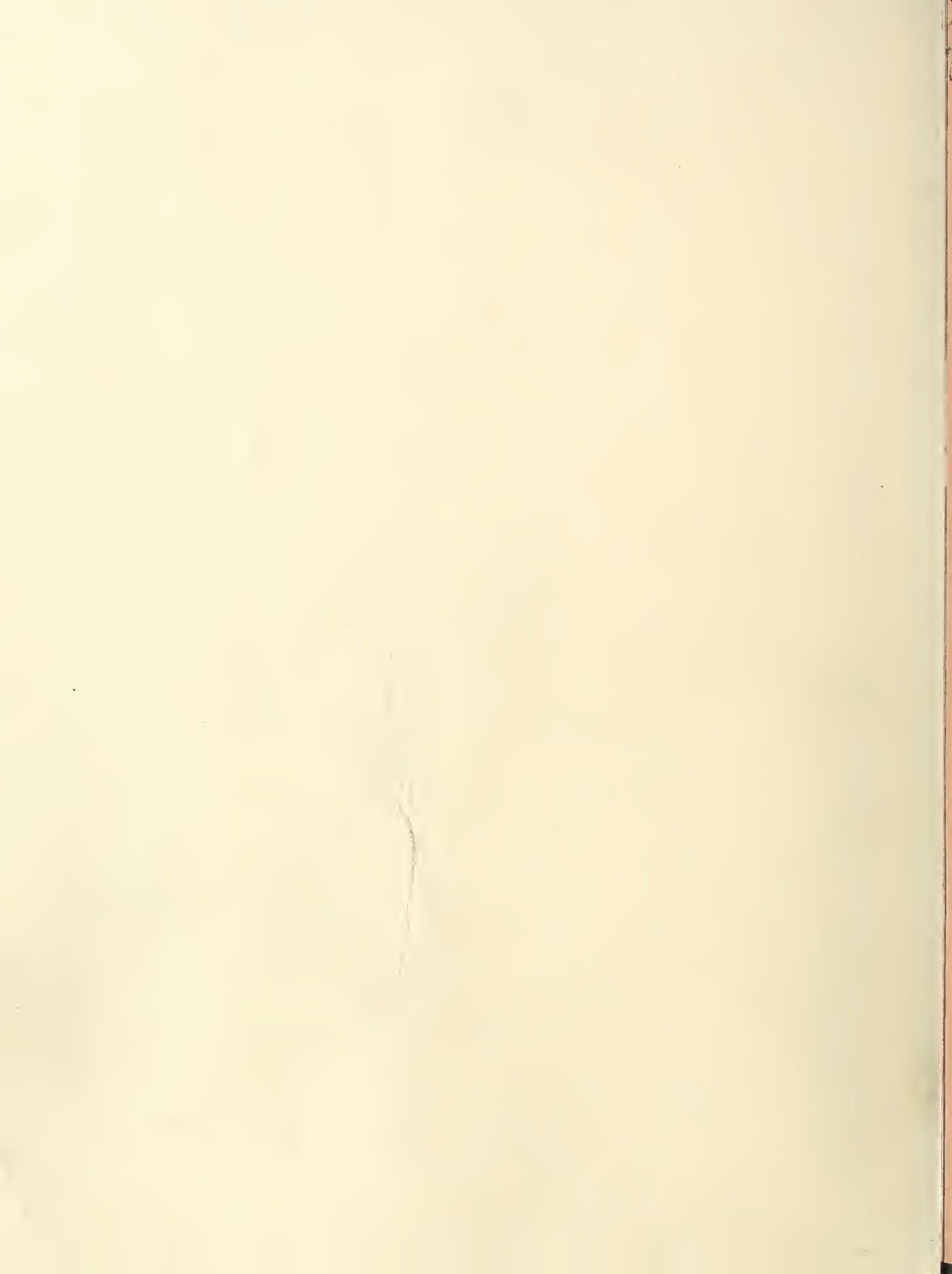


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ASCS BACKGROUND INFORMATION ----- BI No. 1 - April 1966 .

### THE AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The Agricultural Stabilization and Conservation Service is the agency of the U. S. Department of Agriculture which carries out various farm action programs in the general fields of production adjustment, conservation assistance, and price, market and farm income stabilization.

The agency carries on its work with the aid of State, county and community farmer committees and includes much of the operations of the Commodity Credit Corporation.

The principal ASCS activities include:

(1) Price support through commodity loans to farmers or through direct purchases of commodities from farmers and processors, and through wheat marketing certificates, wool and mohair payments, and price-support payments on several commodities. Purpose: To stabilize market prices and to protect farm income in the interest of the national welfare.

(2) Production adjustment to balance supply and demand through acreage allotments, marketing quotas, commodity acreage diversions, the Cropland Adjustment Program, Cropland Conversion Program, and the Conservation Reserve.

(3) Conservation assistance through sharing with individual farmers the cost of installing needed soil-, water-, woodland-, and wildlife-conserving practices under the Agricultural Conservation Program and through practice payments under the Cropland Adjustment and Cropland Conversion Programs.

(4) Management of the Commodity Credit Corporation inventories acquired under price support -- through domestic and foreign sales, export payment-in-kind, domestic and foreign donations, storage, and related processing and shipping arrangements.

(5) Sugar program to provide an equitable sharing of the U. S. sugar market among the domestic and foreign supplying areas and to protect the income of domestic producers and to assure consumers a stable supply of sugar at reasonable prices.

(6) Disaster and defense activities to augment feed supplies for farmers and ranchers in areas where natural disasters have reduced feed, to provide emergency conservation assistance in restoring farmlands seriously damaged by widespread flood or drought, and to assist in preparedness planning for civil defense.

Organization

The Agricultural Stabilization and Conservation Service is headed by an Administrator, an Associate Administrator, and three Deputy Administrators. Each of the Deputy Administrators has responsibility in a specified area of activity: State and county operations, commodity operations, and management.

Reporting directly to the Administrator are a Policy and Program Appraisal Division, a Producer Associations Division, and Policy Staffs on cotton, grain, livestock and dairy, oils and peanuts, sugar, tobacco, and conservation and land use.

Reporting to the Deputy Administrator for State and County Operations are 6 Area Directors (with headquarters in Washington, D. C.), 50 ASCS State offices, and a Caribbean Area office, 3 functional divisions -- Aerial Photography, Bin Storage, and Farmer Programs -- and a Disaster and Defense Services Staff. Three ASCS Commodity Offices, and the Inventory Management and the Procurement and Sales divisions report to the Deputy Administrator for Commodity Operations. Five functional divisions -- Administrative Services, Budget, Fiscal, Information, and Personnel Management -- and an Operations Analysis Staff report to the Deputy Administrator for Management. The Data Processing Center and the Management Field Office, both at Kansas City, Mo., also report to the Deputy Administrator for Management.

The three ASCS Commodity Offices are located in Kansas City (Mo.), Minneapolis and New Orleans. The Kansas City office -- with its branch offices at Minneapolis, Minn., Evanston, Ill., Portland, Ore., and Berkeley, Calif. -- is concerned with grain; the New Orleans office with cotton; and the Minneapolis office with processed commodities. They are primarily responsible for such activities as purchases, shipping, storage, commodity dispositions, export financing, fiscal examination, payment, and accounting.

The Aerial Photography Division maintains an Eastern Laboratory, located at Asheville, N. C., and a Western Laboratory, located at Salt Lake City, Utah.

Agricultural Stabilization and Conservation (ASC) State and county committees are key units in ASCS's field organization. The six area directors serve as a link between the headquarters in Washington and the committee system.<sup>1/</sup> The farmer-elected county committees are responsible for local administration of such national programs as acreage allotments and marketing quotas, the Agricultural Conservation Program (ACP), the Conservation Reserve, price-support loans and payments, acreage diversion programs and payments, Sugar Act and National Wool Act payments, storage, and other ASCS and CCC activities requiring direct dealings with farmers. When arranging to participate in any of these programs, the farmer's first point of contact is the county ASCS office, which is usually located at the county seat.

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1/ The offices headed by the six area directors, and the States they service, are: Midwest Area - Illinois, Indiana, Iowa, Minnesota, Missouri, Nebraska, Ohio, South Dakota, Wisconsin; Northeast Area - Connecticut, Delaware, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia; Northwest Area - Alaska, Idaho, Montana, North Dakota, Oregon, Washington, Wyoming; South Central Area - Arkansas, Louisiana, Mississippi, Oklahoma, Texas; Southeast Area - Alabama, Florida, Georgia, Kentucky, North Carolina, South Carolina, Tennessee, West Virginia, (and Caribbean Area); Southwest Area - Arizona, California, Colorado, Hawaii, Kansas, Nevada, New Mexico, Utah.

Following is a description of the major programs for which the ASCS is responsible:

Price Support

ASCS administers price-support programs for wheat, corn, cotton (upland and extra long staple), peanuts, rice, tobacco, butterfat, milk, wool, mohair, tung nuts, barley, oats, grain sorghum, rye, flaxseed, soybeans, dry edible beans, cottonseed, honey, and crude pine gum.

Support is achieved through loans, purchases, and payments for some commodities, all at announced levels. Under recent legislation, market price support for some commodities is being set at or near levels competitive in world markets with supplementary price-support payments and wheat marketing certificates issued to producers to maintain their incomes.

For most commodities, loans are made directly to producers on the unprocessed commodity through ASCS county offices. Smaller amounts of many are also purchased from producers. Butterfat and milk are supported through purchases of processed dairy products and cottonseed prices are supported through purchases of cottonseed oil. Price support on tobacco, peanuts, and naval stores is carried out through loans to producer cooperative associations, that in turn make price support available to producers.

Loans are available for periods of six to eight months following harvest. Depending on the commodity, loans generally mature one to three months following the end of loan availability. Purchases from producers are made at the time of loan maturity for the crop. In recent years, farmers also have been able to continue their price-support loans on certain grains in farm storage beyond the first year, earning storage payments during the loan extension ("reseal") period.

Price-support loans to producers are "nonrecourse." With this type of loan, producers are not obligated to make good any decline in the market price of the commodity they have put up as collateral. If market prices rise above support prices, producers can pay off their loans and market their commodity. If market prices fail to rise above support prices, producers can deliver the commodity to CCC, with appropriate adjustments for quality and quantity, and discharge their obligation in full.

Support loans and purchases give farmers a ready means of promoting more orderly marketing particularly in periods when bountiful harvest supplies threaten to push prices of farm commodities down to unfair levels. When supplies are excessive, Ever-Normal-Granary stocks are built up in supporting farm commodity prices. These Ever-Normal-Granary stocks are in turn released into the market as needed to stabilize supplies and prices.

About 270,000 loans were made to producers on 1964 crops of grains. Cotton loans numbered about 4,500,000. The dollar volume of price support extended on 1964 crops and production totaled \$3.1 billion. Of this, price-support loans accounted for \$2,117,000,000. Value of commodities covered by price-support applications, excluding quantities pledged for loans, amounted to \$448,581,000. However, acquisitions of commodities under loan and by purchases from producers were somewhat less than price-support extended. Purchases of commodities not covered by price-support applications, primarily dairy products, and purchases of products of wheat, corn and vegetable oil for donation amounted to \$495,329,000.

Part of the price support on corn, grain sorghum, barley and upland cotton is provided by price-support payments. For wheat, it is partially in wheat marketing certificates. All of the price support for wool and mohair is accomplished through payments which in combination with producers' marketing returns

bring their total return up to the support price on the average. In fiscal year 1965, price support payments totaled \$333.4 million, mostly for feed grains; wheat marketing certificates amounted to \$409.9 million, which was offset by certificate purchases by processors and exporters; and wool payments came to \$17.9 million.

Eligibility for price-support loans, purchases and payments and for wheat marketing certificates is conditioned on participation in allotment or commodity acreage diversion programs for that particular crop.

Although ASCS through its personnel and facilities administers price-support operations, the programs are authorized and financed by the Commodity Credit Corporation.

#### Production Adjustment

Acreage allotments and commodity acreage diversions are used in an effort to keep the production of several commodities in line with demand. Acreage allotments apply to cotton, wheat, rice, peanuts, and most kinds of tobacco. Commodity acreage diversions are used for corn, grain sorghum and barley, and for wheat and cotton in addition to acreage allotments.

When supplies of certain commodities are very large, marketing quotas are used in conjunction with acreage allotments if at least two-thirds of the producers voting in a referendum approve the quotas. When quotas are in effect, any excess production of the crop -- that is, in general, the production from acreage in excess of the farm acreage allotment -- is subject to penalties. Marketing quotas are in effect for 1966 crops of cotton (both upland and extra long staple), peanuts, rice, and 8 kinds of tobacco.

Acreage allotments were set for 1966 crops as follows:

Wheat. . . . .	47,800,000 acres
Rice . . . . .	2,000,502 "
Peanuts. . . . .	1,610,000 "
Cotton:	
Upland. . . . .	16,200,000 "
Extra Long Staple . . . . .	81,400 "
Tobacco:	
Burley. . . . .	243,854 "
Flue-cured. . . . .	607,335 "
Virginia Sun-cured. . . . .	2,997 "
Fire-cured (type 21). . . . .	9,374 "
Fire-cured (types 22 & 23). . .	26,527 "
Dark' Air-cured. . . . .	12,727 "
Cigar-binder. . . . .	4,530 "
Cigar-filler and -binder. . . .	20,299 "

In total, more than 3 million farm acreage allotments are determined yearly.

Feed grain program base acreages approximate 90,400,000 base acres for corn, 18,000,000 base acres for barley, and 24,700,000 base acres for grain sorghum. Feed grain base acreages are established for 3.1 million farms.

Acreage withheld from production under commodity diversion and other programs in 1965 included about 34.8 million acres from feed grain base acreages, about 7.2 million acres under wheat allotments, about 1 million acres from cotton allotments, and 14 million acres under the Conservation Reserve, for a total of about 57 million acres.

(The productivity of U. S. agriculture continues to move up. Crop output in 1965 was 17 percent above the average for 1957-59 crops, yet the harvested acreage for '59 crops was 7 percent below the average yearly acreage for the same period.)

National acreage allotments are divided among farms on the basis of past history of production of the crop and on other factors.

National base acreages of feed grains reflect total farm acreage during a 1959-60 base period with some adjustments.

To participate in allotment programs, producers harvest within the acreage allotments set for a commodity for their farms.

To participate in commodity diversion programs (in effect in 1966 for feed grains, upland cotton, and winter wheat), producers sign up to reduce their acreage of a commodity by at least a minimum amount below farm base acreages or allotments. Payments are made under commodity diversion programs to help farmers maintain their income while reducing their acreages to keep production in line with needs. In fiscal year 1965, acreage diversion payments amounted to \$946.6 million, nearly all for feed grains. Substantial reductions in grain surpluses since 1961 have been achieved through feed grain and wheat acreage diversions. The acreage diversion program, which has been successful for grains, has been broadened to include cotton in an effort to reduce the surplus.

Price support eligibility is conditioned on participation in allotment and acreage diversion programs when in effect for a crop. Aerial photographs are used in determining farmer compliance with allotment, acreage diversion and other programs.

#### Other Production Adjustment Programs

Acreage-poundage quotas for flue-cured tobacco are designed to encourage growers to emphasize quality rather than quantity. This program, started in 1965, provides for both a farm acreage allotment and a farm poundage quota for each farm growing flue-cured tobacco. Under the old program, each farm had an acreage allotment and could market penalty free all the tobacco produced on the allotted acreage. The new program, by limiting both the acreage and poundage, makes it both unnecessary and uneconomical for the grower to try to produce quantity at the expense of quality. The program, thus, also aims at bringing production into better balance with domestic use and exports.

The Cropland Adjustment Program, in its first year in 1966, supplements the commodity acreage diversion programs by offering farmers an opportunity to take acreage out of production under longer-term contracts than the annual commodity programs. The program not only supplements the commodity programs but also provides for more open space and other recreational opportunities for urban areas. Specific incentives are offered to farmers if they share their land facilities with town and city people. Particular emphasis is being given to the development of hunting and fishing through practices designed to foster wildlife. Under "Greenspan" provisions, the program offers local, State, and other governmental agencies assistance in acquiring cropland and establishing practices to meet their open-space needs.

The Cropland Conversion Program, operated on a pilot basis since 1963 in a limited number of counties, is designed to improve family farm income by helping farmers convert land now used for the production of row crops and small grains in surplus to some long-range income-producing uses such as forests, grass, water storage, wildlife habitat, or recreational facilities. Fiscal year 1965 payments amounted to \$9.7 million.

The Conservation Reserve, while authority to accept additional land ended with the 1960 program year, continues to provide for the withholding of farmland from production under long-term contracts. Rental payments in fiscal year 1965 came to \$193.7 million.

#### Agricultural Conservation

Farmers participating in the Agricultural Conservation Program (ACP) receive assistance averaging about one-half the cost of carrying out such conservation practices as establishing and improving vegetative cover of grasses, legumes, or trees for soil protection, installing erosion control structures, and practices

for the conservation and more efficient use of water. Practice payments are increased for low-income farmers.

The program includes soil- and water-conservation practices especially beneficial to wildlife, such as establishment of food plots or habitats, pond and shallow water areas.

Under ACP special attention is being given to the beautification of farm land.

ACP provides assistance to more than a million farmers, ranchers, and wood-land owners each year; over a 3 or 4 year period, more than two million farmers are benefitted. In recent years, the ACP annual appropriation has been \$225 million.

ACP special projects are designed to attack special conservation problems that stretch across farm fences. These community-wide projects enable farmers to pool their cost sharing and through a set-aside of special funds higher-than-normal cost shares are made available.

In addition to ACP, farmers can earn conservation practice payments under the Cropland Adjustment Program; the Cropland Conversion Program; the Naval Stores Conservation Program; and the Appalachian Land Stabilization and Conservation Program for which county ASC offices operate the farm conservation activities.

#### Commodity Disposal and Inventory Operations

Commodities acquired under the price-support program are made available for movement into consumption channels both at home and abroad as needs require in carrying out the Ever-Normal-Granary concept and to keep CCC inventories at manageable levels.

The Ever-Normal-Granary principle has been an integral part of farm programs since their beginning in the 1930's. When production exceeds needs, farm income is maintained by adding price-supported commodities to Ever-Normal-Granary stocks, thus stabilizing farm market prices.

The complementary purpose of the Ever-Normal Granary provides for using these built-up stocks to stabilize consumer prices by moving commodities into use in times when demand is strong. In many instances, the strengthening demand results directly from production adjustment programs that bring output down. By filling the gap between reduced production and current needs, the government reduces the surplus.

CCC moved commodity stocks with a cost value of more than \$14.6 billion out of the inventory during the five-year period from July 1, 1960 through June 30, 1965. Virtually all of these commodities were moved through commercial trade channels, with the exception of donated commodities.

Many outlets are employed in moving CCC commodities into use. Some are sold in the United States for dollars. Domestic use sales prices are at or above legal minimum levels (105 percent of the current support price for most commodities) plus carrying costs. They are never sold at prices less than current market prices except to meet emergency needs such as for livestock feed in disaster areas.

CCC commodities are sold for dollars and foreign currencies for movement into export channels. Some are used, under a payment-in-kind export program, to maintain and stimulate commercial exports of U. S. farm commodities. Some are bartered for strategic and critical materials produced abroad and for goods and services to fill U. S. government needs abroad.

Feed grains from the CCC inventory are used to finance the feed grain program which started with 1961 crops. Cotton is similarly used to finance the cotton

program which started with the 1964 crop and was modified by the Food and Agriculture Act of 1965. The use of commodity stocks as payments permits a stable flow of stocks into marketing channels to reduce surpluses as production is pulled down to achieve a better supply-demand balance.

Substantial quantities of food commodities are transferred, on either a reimbursable or non-reimbursable basis, for eventual donation to school lunch programs, Veterans Administration and Armed Forces hospitals, needy Indians, and through welfare organizations to other needy persons in the United States and abroad. In most instances, arrangements are made to process the commodities into food and package them in consumer-size packages for donation.

Of the \$14.6 billion worth of commodities moved into use during the five-year period, about \$3.6 billion worth were donated or transferred and the remaining \$11 billion worth moved into the trade channels outlined above.

#### Inventory Operations

Storage operations to safeguard stocks while they are in CCC ownership are an essential function of ASCS. Commercial storage facilities are used to the fullest extent practicable and the major part of CCC stocks are stored in these facilities. Grains and related commodities in the inventory and under price-support loan are stored under a uniform storage agreement with some 10,000 commercial warehouses throughout the U. S. Cotton, tobacco, dairy products, and other commodities are also stored under uniform agreements in commercial facilities. These agreements provide for uniform storage and handling payments and requirements needed to keep the inventory safe.

In the past, CCC has acquired supplemental bin storage in areas where storage was short, primarily in the corn-producing area. At one time, some grain was stored in ships of the reserve maritime fleet. The need for this supplemental

storage is less now than in the past because of the smaller surpluses. Bin capacity is declining as unneeded bins are sold to farmers and private individuals for continued use in storing agricultural commodities. As of December 31, 1965, CCC-owned bin-type storage had a capacity of about 748 million bushels. At the peak, this capacity was 989 million bushels.

Storage and handling costs, which are a major cost item in maintaining CCC stocks, have been declining as the surpluses are reduced. In fiscal year 1965 ending last June 30, overall storage and handling costs were below \$400 million for the first time in six years. During the current 1966 fiscal year, these costs are running about 20 percent below a year earlier.

#### The Sugar Program

Basically, the Sugar Act is intended to do three things: (1) Make it possible as a matter of national security to produce a substantial part of our sugar requirements within the continental United States and to do this without the consumer-penalizing device of a high protective tariff; (2) assure United States consumers of a plentiful and stable supply of sugar at reasonable prices; and (3) permit friendly foreign countries to participate equitably in supplying the United States sugar market for the double purpose of expanding international trade and assuring a stable and adequate supply of sugar.

Main features of the sugar program include: The determination each year of the amount of sugar which will be needed to fill United States requirements; the establishment of "quotas" which determine the share of this market which will be available for specified domestic and foreign producing areas; the establishment (as needed) of individual allotments, or "proportionate shares", for domestic farm producers and of marketing allotments for processors; and the payment of

"conditional payments" to producers in return for their compliance with the production adjustment and other provisions of the program.

The conditional payments to producers are financed out of the general funds of the Treasury. However, sugar taxes provide funds for the Treasury which more than offset all costs of the program.

Conditional payments of approximately 91.7 million dollars were made on the 1964 crop to about 57,500 sugar beet and sugarcane producers in 26 States, Puerto Rico, and the Virgin Islands.

#### Natural Disaster Assistance

Three-member disaster committees have been established in each State. Members are the directors of the Farmers Home Administration and the Cooperative Extension Service, and the ASC State Chairman, who also serves as disaster committee chairman. State Disaster Committees report any emergency situation, and, when necessary, recommend that the Secretary of Agriculture designate as disaster areas any that require emergency assistance.

Emergency assistance programs offered farmers in disaster-designated areas may include any or all of the following: (1) permission to cut hay and graze livestock on lands retired or diverted from crop production under USDA programs; (2) making available CCC-owned feed grains to eligible farmers and ranchers at below-market prices, and, in some instances, by donation; and (3) cost-sharing with farmers who carry out emergency conservation practices to rehabilitate farm-lands damaged by natural disaster.

For 1965, haying and grazing privileges were offered in 294 counties of 18 States; livestock feed assistance in 704 counties of 33 States, and cost-sharing emergency conservation assistance in 531 counties of 43 States. In addition, substantial quantities of CCC-owned feed grains were donated in 45 counties of six States struck by hurricanes and floods, and in Puerto Rico and the Virgin Islands as a result of the worst drought on record.

Defense Readiness

USDA has a wide range of defense responsibilities. Some are inherent in its regular program authorizations. Others have been delegated by Executive orders covering defense preparedness and emergency operations.

To mobilize its field strength for defense purposes, USDA has established USDA Defense Boards in each State, in Puerto Rico-Virgin Islands, in the District of Columbia, in about 3,000 counties throughout the U. S., and in certain metropolitan areas. The members of these Boards represent USDA agencies having major field defense responsibilities.

ASCS personnel serve as chairmen of USDA Defense Boards except in metropolitan areas.

ASCS is responsible for defense programs relating to farm production, conservation and stabilization. It is also responsible for defense preparedness and emergency operating programs relating to the handling, storage and distribution of all grains before export or processing.

ASCS also provides certain defense coordinating services, including USDA-wide consolidation of claims for non-food requisites and manpower necessary to support food and agricultural operations and other programs for which USDA is responsible; servicing of USDA State and County Defense Boards; coordination of USDA attack analysis and damage assessment activities; coordination and maintenance of emergency records systems in the field; and preparation of defense reports for USDA.

Other ASCS Activities

Farm Facility Loan Program - Under this program, ASCS encourages and aids farmers in the expansion of facilities needed for farm storage of price-supported commodities. Farmers have added approximately 823 million bushels of storage capacity through the use of special ASCS farm storage and equipment loans, which run for five years at four percent interest.

International Wheat Agreement - The main objective of the agreement is to assure markets for wheat from exporting countries and supplies of wheat to importing countries at equitable prices. Importing countries are obligated to purchase from member exporting countries specified percentages of their total commercial imports. The United States and other exporting countries are obligated to sell member importing countries quantities up to historical commercial levels at the agreement maximum price.

Wheat Marketing Certificate Sale - Processors purchase wheat marketing certificates from ASCS to cover quantities of wheat processed into food for domestic use. Payments reflecting the certificate value are made to wheat producers. Through June 30, 1966, exporters will purchase export marketing certificates to cover their exports. After this, the cost of export certificates will generally represent the difference between U. S. and world prices of wheat when U. S. wheat prices are above world prices. Export certificates will not be required when U. S. wheat prices are above world prices.

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